

Message Text

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ACTION AF-07

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SUBJECT: GOSL EXCHANGE CONTROL ORDER

1. FINANCE MINISTRY OCTOBER 11 ISSUED ORDER UNDER
AUTHORITY OF EXISTING EXCHANGE CONTROL ACT WHICH REQUIRES
ALL RESIDENTS (INCLUDING RESIDENT CORPORATIONS) OF SIERRA
LEONE TO DECLARE AND SURRENDER TO LOCAL COMMERCIAL BANKS
ALL FOREIGN ASSETS HELD IN SPECIFIED FOREIGN CURRENCIES.
THESE CURRENCIES ARE: AUSTRIAN SCHILLING, BELGIAN FRANC,
CANADIAN DOLLAR, DANISH KRONE, DEUTSCHE MARK, FRENCH FRANC,
ITALIAN LIRE, JAPANESE YEN, NETHERLAND GUILDER, NORWEGIAN
KRONE, PORTUGUESE ESCUDO, SPANISH PESETA, SWEDISH KRONA,
SWISS FRANC, UNITED KINGDOM POUND, UNITED STATES DOLLAR.
EVERY RESIDENT WHO RETURNS TO SIERRA LEONE AFTER A STAY
ABROAD WILL BE REQUIRED TO DECLARE AND SELL TO A COMMERCIAL
BANK ALL CASH BALANCES HELD IN FOREIGN CURRENCY. LANGUAGE
OF ORDER IS VAGUE BUT EMBASSY HAS LEARNED FROM GOSL
FINANCE OFFICIALS, COMMERCIAL BANKERS AND THE BANK
OF SIERRA LEONE EXCHANGE CONTROLLER THAT ACT WILL BE
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IMPLEMENTED AS FOLLOWS:

A. NEW INVESTORS WILL HAVE PROVISION FOR REPATRIATION OF EARNINGS WRITTEN INTO THEIR CONTRACTS WITH GOVERNMENT AND THESE PROVISIONS WILL SUPERSEDE EXCHANGE CONTROL REGULATIONS.

B. PRIMARILY LOCAL COMPANIES THAT HAVE OFFICES ABROAD (EG DIMINCO) WILL BE ALLOWED TO HAVE RESONABLE WORKING BALANCES IN FOREIGN CURRENCY ABROAD BUT MUST FOR THE FIRST TIME ITEMIZE AND SUBMIT TO GOVERNMENT FOR APPROVAL LISTS OF ALL OVERSEAS EXPENDITURES.

C. EXISTING REGULATIONS REQUIRING ALL EXPORTERS TO REPORT TO CUSTOMS WHICH BANK IN SIERRA LEONE WILL RECEIVE PAYMENT FOR EXPORT CONSIGNMENTS WILL BE TIGHTENED TO INSURE THAT ALL PAYMENTS ARE ACTUALLY MADE TO BANK ACCOUNTS IN SIERRA LEONE.

D. WHILE INDIVIDUAL EXEMPTIONS PERMITTING RESCENT EX-PATRIATED BUSINESSMEN TO KEEP THEIR PERSONAL ASSETS ABROAD WILL BE LIBERALLY GIVEN ON AN CASE BY CASE BASIS, NO BLANKET EXEMPTION WILL BE GIVEN.

2. COMMENT. THE NEW ORDER'S MOST IMMEDIATE PURPOSE IS TO MOBILIZE FOREIGN EXCHANGE TO HELP TIDE SIERRA LEONE OVER CRUNCH CAUSED BY OIL AND RICE IMPORTS. ITS PROVISIONS WILL IMPINGE ON THE OPERATIONS OF US FIRMS WHO HAVE ESTABLISHED OFFICES TO BUY ALLUVIAL DIAMONDS IN COMPETITION WITH THE GOVERNMENT DIAMOND OFFICE BUT WHO DO NOT HAVE LARGE DOMESTIC EXPENSES. IN PRINCIPLE THE PROCEEDS FROM THEIR EXPORTS WILL HAVE TO BE REMITTED TO SIERRA LEONE AND PERMISSION FOR REPATRIATION WILL HAVE TO BE NEGOTIATED WITH THE EXCHANGE CONTROLLER OF THE BANK OF SIERRA LEONE. SIERRA RUTILE'S REPATRIATION OF PROCEEDS SHOULD NOT BE HINDERED SINCE PROVISION FOR THIS SHOULD BE COVERED IN ITS AGREEMENT WITH GOVERNMENT WHICH WILL SUPERSEDE EXCHANGE CONTROL REGULATIONS. THE ORDER WILL AFFECT LESS SERIOUSLY THE OPERATIONS OF SEABOARD WHICH EXPORTS ANIMAL FEED AND SIERRA LEONE DIAMONDS WHICH EXPORTS CUT AND POLISHED DIAMONDS, AND MOBIL AND TEXACO WHICH LIMITED OFFICIAL USE

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EXPORT SMALL QUANTITIES OF REFINED PETROLEUM PRODUCTS. REQUIREMENT THAT RESIDENT FIRMS ITEMIZE AND SECURE BANK OF SIERRA LEONE APPROVAL FOR OVERSEAS EXPENSES EXPECTED TO AFFECT OPERATIONS OF SIERRA LEONE DIAMONDS. EFFECT ON BUYERS OF DIMINCO DIAMONDS DIFFICULT TO DETERMINE AT THIS POINT, SINCE THEY ALL HAVE SPECIAL ARRANGEMENTS. PROVISION D ABOVE IS EXPECTED TO BE DIRECTED PRIMARILY AT LEBANESE BUSINESSMEN WHO HAVE LONG BEEN FELT TO BE SOURCE OF CAPITAL FLIGHT FROM SIERRA LEONE AND SHOULD

NOT IMPINGE ON INDIVIDUAL US BUSINESSMEN.

3. GOSL AND BANK OF SIERRA LEONE SOURCES ARE VERY VAGUE
ABOUT THE DETAILS OF THE ORDER AND EMBASSY EXPECTS THAT MOST OF
THEM WILL ONLY BE WORKED OUT AFTER NEGOTIATIONS WITH THE
COMPANIES INVOLVED. EXCHANGE CONTROL AUTHORITIES HAVE TOLD
EMBASSY THEY WILL SOON BE PUBLISHING AN EXPLANATORY PAMPHLET.
EMBASSY WILL FORWARD DECREE TEXT AND EXPLANATORY PAMPHLET AND
REPORT ADDITIONAL CLARIFICATION AS AVAILABLE.
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